

Annual Statement of the Financial Condition of the Massachusetts Teachers' Retirement System

To the Public Employee Retirement Administration
Commission
for the year ended June 30, 2014

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To the Public Employee Retirement Administration Commission
for the fiscal year ended June 30, 2014

DATE OF FILING: DECEMBER 19, 2014

THE MASSACHUSETTS TEACHERS' RETIREMENT BOARD

Jeff Wulfson

Chairman

Deputy Commissioner of Department of Elementary and Secondary Education

Steven Grossman

State Treasurer

Chairman, Pension Reserves Investment Management (PRIM) Board

Suzanne M. Bump

State Auditor

Dennis J. Naughton

Elected by the membership

MTRS appointed representative to the PRIM Board

Retired Massachusetts educator

Richard L. Liston

Appointed by the Board

Retired Massachusetts educator

Karen Ann Mitchell

Elected by the membership

Active Massachusetts educator

Anne Wass

Appointed by the Governor

Retired Massachusetts educator

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MTRS Annual Statement

For the fiscal year ended June 30, 2014

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Board Certification of Annual Statement

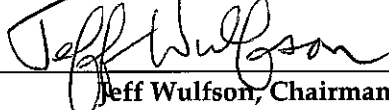
ANNUAL STATEMENT
for the
FINANCIAL CONDITION
of the
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM
Organized under the Laws of the Commonwealth of Massachusetts
to the

COMMISSIONER OF PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
OF THE COMMONWEALTH OF MASSACHUSETTS
PURSUANT TO THE LAWS THEREOF

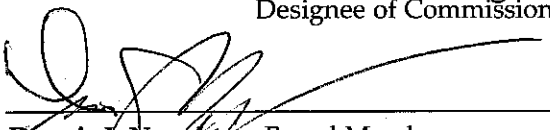
Massachusetts Teachers' Retirement System
One Charles Park, Cambridge, MA 02142-1206
Telephone: 617-679-6877

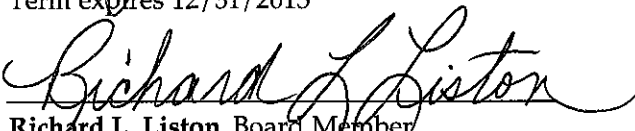
We, the undersigned members of the Teachers' Retirement System, certify under the penalties of perjury, that we are the official board members of said retirement system, and that on the thirtieth day of June last, all of the herein-described assets were the absolute property of said retirement system, free and clear from any liens or claims thereon, except as stated, and the following statements, with the schedules and explanations therein contained, annexed, or referred to, are a full and correct exhibit of all the assets, liabilities, income and disbursements, changes in fund balances and of the conditions and affairs of the said retirement system on the said thirtieth day of June last, and for the year ended on that date, according to the best of our information, knowledge and belief, respectively.

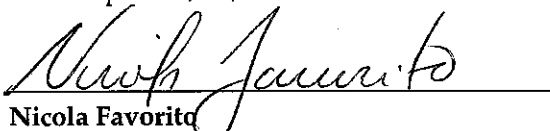
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

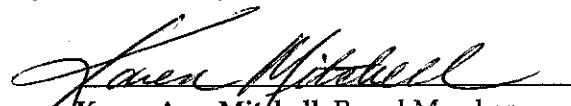

Jeff Wulfson, Chairman

Designee of Commissioner of Elementary and Secondary Education

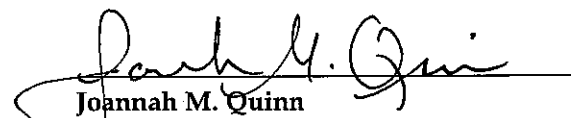

Dennis J. Naughton, Board Member
Term expires 12/31/2015


Richard L. Liston, Board Member
Term expires 1/31/2016


Nicola Favorito
Designee of Steven Grossman


Karen Ann Mitchell, Board Member
Term expires 12/31/2015


Anne Wass, Board Member
Term expires 4/18/2018


Joannah M. Quinn
Designee of Suzanne M. Bump

Public Pension Coordinating Council Award



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2014***

Presented to

Massachusetts Teachers Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, reading 'Alan H. Winkle'.

Alan H. Winkle
Program Administrator

Members of the Board



Jeff Wulfson
Chairman

Deputy Commissioner
of Department of
Elementary and
Secondary Education



Karen Ann Mitchell

Elected by
the membership

Active Massachusetts
educator



Steven Grossman
State Treasurer

Chairman,
Pension Reserves
Investment
Management (PRIM)
Board



Anne Wass

Appointed by
the Governor

Retired
Massachusetts
educator



Suzanne M. Bump
State Auditor



Dennis J. Naughton

Elected by the
membership

Retired Massachusetts
educator;
MTRS appointed
representative
to the PRIM Board



Richard L. Liston

Appointed by the
Board

Retired
Massachusetts
educator

Annual Statement Balance Tests

For the year ended June 30, 2014

2014

ASSET BALANCE

Assets Previous Year	\$ 22,698,277,296
Income Current Year	5,665,476,722
Disbursements Current Year	2,825,108,688
Assets Current Year	\$ 25,538,645,330

ASSET DIFFERENCE

Assets Current Year	\$ 25,538,645,330
Assets Previous Year	22,698,277,296
Difference	\$ 2,840,368,034

INCOME DIFFERENCE

Income Current Year	\$ 5,665,476,722
Disbursements Current Year	2,825,108,688
Difference	\$ 2,840,368,034

FUND CHANGE DIFFERENCE

Total Fund Change Credits Current Year	\$ 7,191,222,286
Total Fund Change Debits Current Year	4,350,854,252
Difference	\$ 2,840,368,034

Annual Statement Balance Tests

Continued

Three-Year Comparison

	Fiscal 2014	Fiscal 2013	Calendar 2012
ASSET BALANCE			
Assets Previous Year	\$ 22,698,277,296	\$ 20,980,553,770	\$ 20,209,998,158
Income Current Year	5,665,476,722	4,394,143,815	4,508,817,571
Disbursements Current Year	2,825,108,688	2,676,420,289	2,632,191,180
Assets Current Year	\$ 25,538,645,330	\$ 22,698,277,296	\$ 22,086,624,549

ASSET DIFFERENCE			
Assets Current Year	\$ 25,538,645,330	\$ 22,698,277,296	\$ 22,086,624,549
Assets Previous Year	22,698,277,296	20,980,553,770	20,209,998,158
Difference	\$ 2,840,368,034	1,717,723,526	\$ 1,876,626,391

INCOME DIFFERENCE			
Income Current Year	\$ 5,665,476,722	\$ 4,394,143,815	\$ 4,508,817,571
Disbursements Current Year	2,825,108,688	2,676,420,289	2,632,191,180
Difference	\$ 2,840,368,034	\$ 1,717,723,526	\$ 1,876,626,391

FUND CHANGE DIFFERENCE			
Total Fund Change			
Credits Current Year	\$ 7,191,222,286	\$ 5,554,242,165	\$ 5,778,985,058
Total Fund Change			
Debits Current Year	4,350,854,252	3,836,518,639	3,902,358,667
Difference	\$ 2,840,368,034	\$ 1,717,723,526	\$ 1,876,626,391

Assets and Liabilities

		Fiscal 2014	Fiscal 2013	Calendar 2012
1040	Cash	\$ 126,380,632	\$ 115,676,832	\$ 91,620,335
1198	PRIT Cash Account	30,966,884	35,510,605	26,661,488
1199	PRIT Capital Fund	25,293,748,003	22,444,808,144	21,907,549,198
1398	Accounts Receivable	84,389,653	98,654,863	58,279,122
1400	Prepaid Postage	225,958	222,874	159,010
1350	Prepaid Contracts	72,571	325,804	141,718
1900	Intangible Software Costs	15,095,812	13,152,259	12,327,595
2020	Accounts Payable	(3,709,563)	(10,074,085)	(10,113,917)
2097	Deferred Revenue	(8,524,620)	—	—
	Total	\$ 25,538,645,330	\$ 22,698,277,296	\$ 22,086,624,549
3293	Annuity Savings Fund	\$ 6,136,293,889	\$ 5,933,509,751	\$ 5,620,739,989
3294	Annuity Reserve Fund	2,532,361,548	2,505,338,054	2,623,153,538
3295	Military Service Fund	222,989	219,177	214,709
3296	Pension Fund	—	—	—
3298	Expense Fund	—	—	—
3297	Pension Reserve Fund	16,869,766,904	14,259,210,314	13,842,516,313
	Total	\$ 25,538,645,330	\$ 22,698,277,296	\$ 22,086,624,549

Statement of Funds Flow

	July 1 2013 Balance	Receipts	Inter-Fund Transfers	Disbursements	June 30 2014 Balance
Annuity Savings Fund	\$ 5,993,509,751	\$ 706,317,313	\$ (456,369,028)	\$ 47,164,147	\$ 6,136,293,889
Annuity Reserve Fund	2,505,338,054	79,644,451	382,509,618	435,130,575	2,532,361,548
Pension Fund	—	1,056,678,343	1,112,295,750	2,168,974,093	—
Military Service Fund	219,177	3,812	—	—	222,989
Expense Fund	—	173,839,873	—	173,839,873	—
Pension Reserve Fund	14,259,210,314	3,648,992,930	(1,038,436,340)	—	16,869,766,904
Total All Funds	\$ 22,698,277,296	\$5,665,476,722	\$ —	\$ 2,825,108,688	\$ 25,538,645,330

INTER-FUND TRANSFERS

Transfer from...	Annuity Savings Fund	Annuity Reserve	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total
Annuity Reserve Fund to Pension Reserve Fund	\$ 0	\$ (27,545,259)	0	0	0	27,545,259	0
Annuity Savings Fund to Annuity Reserve Fund	\$(410,054,877)	\$ 410,054,877	0	0	0	0	0
Annuity Savings Fund to Pension Reserve Fund	\$ (46,314,151)	0	0	0	0	46,314,151	0
Pension Reserve Fund to Pension Fund for Pensions	0	0	\$1,112,295,750	0	0	\$(1,112,295,750)	0
	\$ (456,369,028)	\$ 382,509,618	\$1,112,295,750	0	0	\$(1,038,436,340)	0

Receipts

		Fiscal 2014	Fiscal 2013	Calendar 2012
Annuity Savings Fund				
4891	Members' Deductions	\$ 653,327,864	\$ 642,694,389	\$ 610,835,488
4892	Transfers from Other Systems	18,237,305	12,058,849	8,730,321
4893	Member Make-Up Payments and Redeposits	16,405,508	14,775,371	12,453,248
4900	Member Payments from Rollovers	12,870,651	13,617,125	10,631,619
4820	Investment Income Credited to Members' Accounts	5,475,985	5,307,164	4,970,197
	Subtotal	\$ 706,317,313	\$ 688,452,898	\$ 647,620,873
Annuity Reserve Fund				
4820	Investment Income	79,644,451	76,982,684	76,493,625
	Subtotal	\$ 79,644,451	\$ 76,982,684	\$ 76,493,625
Pension Fund				
4894.1	QEBA	50,000	50,000	—
4898	3(8)(c) Reimbursements from Other Systems	21,175,997	15,424,275	12,125,771
4899	Received from Commonwealth for COLA	192,314,768	176,181,559	166,403,713
4894	Pension Fund Appropriation	843,103,232	937,065,856	925,801,702
4840	Workers' Compensation Settlement	34,346	45,585	49,000
	Subtotal	\$ 1,056,678,343	\$ 1,128,767,275	\$ 1,104,380,186
Military Service Fund				
4890	Contributions Received for Military Service	3,590	13,372	26,414
4820	Investment Income	222	221	215
	Subtotal	\$ 3,812	\$ 13,593	\$ 26,629
Expense Fund				
4820	Investment Income Credited to Expense Fund	173,839,873	157,726,587	178,009,752
	Subtotal	\$ 173,839,873	\$ 157,726,587	\$ 178,009,752
Pension Reserve Fund				
4889	Commonwealth Capital Gain Revenue	1,443,260	14,856,770	—
4897	Federal Grant Reimbursement	3,431,861	4,958,158	4,969,582
4822	Interest Not Refunded	305,777	294,658	304,121
4820	Excess Investment Income	3,643,805,292	2,322,089,578	2,496,966,831
4825	Section 91, Recovery Due to Excess Earnings	6,740	1,614	45,972
	Subtotal	\$ 3,648,992,930	\$ 2,342,200,778	\$ 2,502,286,506
TOTAL RECEIPTS		\$ 5,665,476,722	\$ 4,394,143,815	\$ 4,508,817,571

Disbursements

		Fiscal 2014	Fiscal 2013	Calendar 2012
Annuity Savings Fund				
5757	Refunds to Members	\$ 36,744,377	\$ 31,726,029	\$ 28,209,469
5757.1	Section 11 Active Death Refunds	2,305,472	1,530,651	—
5756	Transfers to Other Systems	8,114,298	7,352,843	6,122,389
	Subtotal	\$ 47,164,147	\$ 40,609,523	\$ 34,331,858
Annuity Reserve Fund				
5750	Annuities Paid	435,130,575	434,152,064	421,369,011
5759	Option B Refunds	—	—	1,763,552
	Subtotal	\$ 435,130,575	\$ 434,152,064	\$ 423,132,563
Pension Fund				
5751	Pensions Paid (Regular Pension Payments)	1,872,862,280	1,769,381,570	1,731,941,224
5755	3(8)(c) Reimbursements to Other Systems	103,787,767	98,352,514	98,355,598
5753	QEBA	9,278	16,472	16,472
5752	COLAs Paid	192,314,768	176,181,559	166,403,713
	Subtotal	\$ 2,168,974,093	\$ 2,043,932,115	\$ 1,996,717,007
Military Service Fund				
4890	Return to Municipality for Members Who Withdrew their Funds	—	—	—
	Subtotal	\$ —	\$ —	\$ —
Expense Fund				
5119	Salaries	7,297,592	7,830,353	6,960,897
5304	Management Fees	132,164,821	120,185,704	112,260,221
5308	Legal Expenses	55,766	10,194	10,610
5311	Service Contracts	1,467,788	1,059,184	1,136,405
5312	Rent Paid	755,218	724,682	709,828
5320	Education and Training	4,676	2,062	2,151
5588	PERAC Expenses	3,695,935	3,886,474	3,352,466
5589	Reimbursement for Direct Deposit Fees	6,109	—	—
5589	Administrative Expenses	437,413	546,359	535,689
5599	Furniture and Equipment	179,554	314,996	208,302
5719	Travel	26,685	23,541	19,511
5897	Federal Grants Distributed	3,431,861	4,958,158	4,969,582
5900	Reimbursement to General Fund	21,175,997	15,424,275	45,996,660
5829	Amortization Expense	3,140,458	2,760,605	1,847,430
	Subtotal	\$ 173,839,873	\$ 157,726,587	\$ 178,009,752
Pension Reserve Fund				
	Subtotal	\$ —	\$ —	\$ —
TOTAL DISBURSEMENTS		\$ 2,825,108,688	\$ 2,676,420,289	\$ 2,632,191,180

Investment Income

	Fiscal 2014	Fiscal 2013	Calendar 2012
INVESTMENT INCOME			
Investment Income received from:			
Cash	\$ 173,080	\$ 1,236,024	\$ 235,166
Pooled or Mutual Funds	718,402,088	607,491,479	670,970,065
Total Investment Income	\$ 718,575,168	\$ 608,727,503	\$ 671,205,231
4884 Realized Gains	1,234,415,865	730,416,391	543,434,626
4886 Unrealized Gains	2,937,694,770	2,079,932,688	2,845,357,723
	\$ 4,172,110,635	\$ 2,810,349,079	\$ 3,388,792,349
4887 Less Unrealized Losses	(987,919,980)	(856,970,348)	(1,303,556,960)
4885 Realized loss	—	—	—
Net Investment Income (loss)	\$ 3,902,765,823	\$ 2,562,106,234	\$ 2,756,440,620
INCOME REQUIRED			
3293 Annuity Savings Fund	5,475,985	5,307,164	4,970,197
3294 Annuity Reserve Fund	79,644,451	76,982,684	76,493,625
3295 Military Service Fund	222	221	215
3298 Expense Fund	173,839,873	157,726,587	178,009,752
Total Income Required	\$ 258,960,531	\$ 240,016,656	\$ 259,473,789
Net Investment Income	\$ 3,902,765,823	\$ 2,562,106,234	\$ 2,756,440,620
Less Income Required	258,960,531	240,016,656	259,473,789
Excess Income (Loss) to Pension Reserve Fund	\$ 3,643,805,292	\$ 2,322,089,578	\$ 2,496,966,831

Membership Information

Active Members

Previous Year Ending June 30, 2013	86,647
Net Change During Report Year 2014	(1,466)
Active Membership Current Year Ending June 30, 2014	85,181

Inactive Members

Previous Year Ending June 30, 2013	24,771
Net Change During Report Year 2014	2,979
Inactive Membership Current Year Ending June 30, 2014	27,750

Retired Members, Beneficiaries and Survivors

Previous Year Ending June 30, 2013	59,409
Net Change During Report Year 2014	1,688
Retired, Beneficiary and Survivor Membership Current Year Ending June 30, 2014	61,097

Superannuation	31,718
Minimum Pension Retirements	162
Pop-Up Retirements	782
Early Retirements	949
RetirementPlus Retirements	22,785
Survivors–Active	1,979
Survivors–Retiree	1,778
Accidental Death Retirements	17
Ordinary Disability	424
Accidental Disability	333
Termination	158
Guardian	12

Total Membership, June 30, 2014	174,028
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Notes on the Financial Statements

■ Significant Accounting Policies

The accounting records of the System for June 30, 2014 are maintained on a fiscal year basis in accordance with the standards and procedures established by the Executive Director of the Public Employee Retirement Administration Commission. The financial reporting year end changed in FY13 as the records had been maintained in a calendar basis in the past. All investments are stated at market value at the end of the year.

Annuity Savings Fund

The Annuity Savings Fund is the fund to which all members' contributions are deposited. Members withdrawing from the System received a refund of their total accumulated contributions and a required amount of interest. Refunds to members for the report year 2014 were \$36,744,377 and refunds to deceased active members were \$2,305,472 and transfers to other systems were \$8,114,298. The value of the Annuity Savings Fund was \$6.136 billion as of June 30, 2014. In 2014, interest is accrued at a rate of 0.1%.

A reconciliation of the active and inactive member account balances in the MyTRS system to the annuity savings fund balance on the ledger as of December 31, 2013 was performed. Based on this reconciliation, an adjustment of \$46,314,511 was transacted. The effect of this entry was to increase the Pension Reserve Fund and decrease the Annuity Savings fund.

Annuity Reserve Fund

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and the Special Fund for Military Service credit. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance. In 2014, an amount of \$410.054 million was transferred to the Annuity Reserve Fund. The value of the Annuity Reserve Fund was \$2.532 billion as of June 30, 2014.

During the four months of September 2013 through December 2013 the benefit warrants had an incorrect apportionment between the pension expense and annuity expense. An inter-fund transfer from the annuity reserve fund to the pension reserve fund was done in the amount of \$27,545,259 to correct the funds.

Pension Fund

The Pension Fund contains the amounts appropriated by the Commonwealth of Massachusetts and investment funds liquidated from the Pension Reserve Investment Trust designated to pay the pension portion of each retirement allowance.

Pension Reserve Fund

The Pension Reserve Fund is administered by the Pension Reserves Investment Management Board (PRIM Board). The Fund contains amounts appropriated by the Commonwealth of Massachusetts for the purposes of funding future retirement benefits. Any investment income in excess of the amount required to credit the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund and the Special Military Service fund is credited to the Pension Reserve Fund. In 1996, Massachusetts State Teachers' and Employees' Retirement Systems Trust (MASTERS) was merged into the Pension Reserves Investment Trust (PRIT) Fund to form a consolidated pension fund under the management of the Pension Reserves Investment Management Board. Inactive member account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

■ **Military Service Fund**

The Military Service Fund contains contributions and interest for members while on a military leave for service in the Armed Forces and who receive creditable service for the period of that leave. The balance in the Military Service Fund on June 30, 2014 was \$222,989. Contributions and interest income credited to the Military Service Fund were \$3,590 and \$222 respectively.

■ **Expense Fund**

The Expense Fund contains amounts transferred from investment income for the purpose of administering the Teachers' Retirement System. Due to the nature of the Teachers' Retirement System's funding and payment structure, it is necessary to record any unreimbursed balances in the Accounts Receivable account. No amounts were unreimbursed as of June 30, 2014.

Management fees are amounts paid by the Pension Reserve Investment Trust for managing investments. PERAC requires these costs be accounted for in the expense fund.

Reimbursement to the general fund is \$21,175,997 is for 3(8)(c) payments received by other retirement systems which are deposited into the MTRS accounts at Bank of America and then are swept by Treasury and posted to the Commonwealth's General fund. MTRS does not have spending authority on these funds.

Federal grants distributed equal federal grant received in the amount of \$3,431,861. Federal money is a pass-through from school districts to MTRS to the Commonwealth's general fund; MTRS role is administrative in that we collect, deposit and record federal funds to the Commonwealth's general fund with no spending authority.

■ **Interest-Not-Refunded**

Interest-not-refunded is interest forfeited by members upon withdrawal from the System prior to becoming fully vested or forfeited due to criminal convictions. The interest forfeiture applies to members who commenced employment or after January 1, 1984. The 2014 Interest-not-refunded of \$305,777 is recorded as revenue in the Pension Reserve fund.

■ 3(8)(c)

A 3(8)(c) reimbursement is the pension benefit reimbursement received from other Massachusetts public retirement systems for the portion of creditable service attained by retirees formerly contributing to another retirement system. The total 3(8)(c) reimbursements received in 2014 for calendar year 2013 is ultimately credited to the Commonwealth of Massachusetts General Fund for purpose of reducing the state's actuarial liability. The Teachers' Retirement System's 3(8)(c) from other systems during report year 2014 was \$21,175,997. The amount the Teachers' Retirement System paid to other systems out of the Pension fund was \$103,787,767 including \$99,532,000 paid to the city of Boston.

■ Qualified Excess Benefit Arrangement (QEBA)

To comply with Section 415 of the Internal Revenue Code which imposes limits on benefits and annual additions that restrict retirement benefits, the MTRS has funded a QEBA account. The QEBA account will provide benefits that cannot be provided under a qualified plan due to the limits of section 415 on contributions and benefits. The balance is accounted for in cash.

The Activity in the Account:	Beginning Balance	\$ 33,528
	Revenue	50,000
	Less Payments	— 9,278
	Balance 6/30/14	\$ 74,250

To discretely present 2014 QEBA payments, \$9,278 was reclassified from Pensions paid to QEBA.

■ Intangible Software Cost: New Line of Business Solution/MyTRS

Capital Asset Activity

Computer hardware and software is recorded at cost and is being amortized on a straightline basis over a useful life of 3 years and 7 years respectively.

	July 1, 2013	Increase	Decrease	June 30, 2014
Assets Being Amortized:				
Computer Hardware	\$ 63,840	\$ 0	—	\$ 63,840
Computer Software	19,543,784	5,084,011	—	24,627,795
Total	\$ 19,607,624	\$ 5,084,011	—	\$ 24,691,635
Less: Accumulated Amortization				
Computer Hardware	\$ (63,840)	\$ 0	—	\$ (63,840)
Computer Software	(6,391,525)	(3,140,458)	—	(9,531,983)
	\$ (6,455,365)	\$ (3,140,458)	—	\$ (9,595,823)
Net Book Value	\$ 13,152,259	\$ 1,943,553	—	\$ 15,095,812

■ Estate Receivable and Payable

When a member becomes deceased, this event may create a receivable or payable between the retirement system and the estate. At June 30, 2014 the amount due to be received from estates from 1988 to present is \$1,199,558 and the amount payable to estates including the deceased members' remaining annuity balance is \$1,081,635.

In November 2014 the board voted to write off \$1,063,412 in uncollectible estate account receivables from 1988-June 30, 2011.

For members who died in fiscal 2014, \$63,755 is due from estates.

■ Commonwealth Pension Funding

The Commonwealth appropriated \$1,035,468,000 for State and Boston Teachers for fiscal 2014.

Pension Funding Schedule

QEBA	\$ 50,000
COLA	192,314,768
Pension Fund Appropriation	843,103,232

Total	\$ 1,035,468,000
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■ Installment Accounts Receivable and Deferred Revenue

Members may purchase creditable service on an installment basis. There are approximately 1,628 members with \$13,183,306 in potential receivables due for service purchases. Of that total, \$4,658,686 is due to be collected within one year. The remaining \$8,524,620 due to be collected after one year, is reported as a deferred revenue.

Appendix A

Detail of Accounts Receivable and Accounts Payable

			2014 Amount
ACCOUNTS RECEIVABLE			
4893	Estate Accounts Receivable	\$	1,199,558
4893	Allowance for Doubtful Accounts		(1,063,412)
	Net, Estate Accounts Receivable	\$	136,146
4893	Installment Accounts Receivable	\$	13,183,306
4891	Member Deductions		69,522,541
4840	Workers' Compensation Settlement		104,400
4889	Due from Commonwealth		1,443,260
	Total Accounts Receivable	\$	84,389,653
ACCOUNTS PAYABLE			
2021	Accrued Payroll		218,257
1902	Fixed Asset		46,421
5308	Legal Expense		25,711
5311	Service Contracts		148,595
5589	Administrative Expense		43,998
5719	Travel		2,582
5757	Estate Accounts Payable		1,081,635
2022	Escrow Assets Held in Trust for Members		522,373
2020	3 8 c Middlesex		1,617,598
5320	Education and Training		210
5599	F & E Expense		2,183
	Total Accounts Payable	\$	3,709,563

Appendix B

Massachusetts Pension Reserves Investment Trust Statements

MTRS Cash Fund For the year ending June 30, 2014**Pension Reserves Investment Management Board**

84 State Street, Suite 250
Boston, Massachusetts 02109

Treasurer Steven Grossman, Chair
Michael G. Trotsky, CFA, Executive Director

State Teachers Retirement System**Cash Investment**

June 01, 2014 to June 30, 2014

	Month To Date	Fiscal Year To Date	Calendar Year To Date
Your beginning net asset value for the period was:	6,468,064.23	35,510,605.02	26,875,880.21
Your investment income for the period was:	5,904.91	79,010.41	36,549.31
Your total contributions for the period were:	72,463,466.82	709,113,679.81	371,311,165.87
Your total redemptions for the period were:	(110,304,971.38)	(1,635,224,473.10)	(810,997,690.27)
Your total exchanges for the period were:	62,334,419.73	921,488,062.17	443,740,979.19
Your state appropriations for the period were:	0.00	0.00	0.00
Your ending net asset value for the period was:	30,966,884.31	30,966,884.31	30,966,884.31

As of June 30, 2014 the net asset value of your investment in the Cash Fund was:

\$30,966,884.31

If you have any questions regarding your statement, please contact your Senior Client Services Officer Paul Todisco (617) 946-8423.
A detailed statement of your account is attached to this summary sheet.

Appendix B

Massachusetts Pension Reserves Investment Trust Statements

MTRS General Allocation Account

For the year ending June 30, 2014



Pension Reserves Investment Management Board

84 State Street, Suite 250
Boston, Massachusetts 02109

Treasurer Steven Grossman, Chair
Michael G. Trofsky, CFA, Executive Director

State Teachers Retirement System General Allocation Account June 01, 2014 to June 30, 2014

Your beginning net asset value for the period was:

Your change in investment value for the period was:

Your exchanges from (to) the Cash Fund for the period were:

Your ending net asset value for the period was:

Month To Date	Fiscal Year To Date	Calendar Year To Date
24,907,691,965.56	22,444,808,144.01	24,156,515,004.58
448,390,456.92	3,770,427,920.91	1,580,973,977.36
(62,334,419.73)	(921,488,062.17)	(443,740,979.19)
25,293,748,002.75	25,293,748,002.75	25,293,748,002.75

Net Change in Investment Value represents the net change through investment activities as follows:

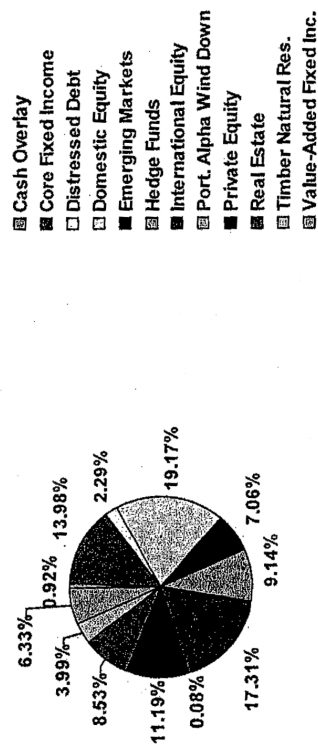
Gross Investment Income:	87,684,478.29	409,442,706.21
Less Management Fees:	(27,120,164.85)	(64,885,607.20)
Net Investment Income:	60,564,313.44	344,557,099.01
Net Fund Unrealized Gains/Losses:	248,876,596.95	590,977,114.67
Net Fund Realized Gains/Losses:	138,949,546.53	645,439,763.68
Net Change in Investment Value as Above:	448,390,456.92	1,580,973,977.36

As of June 30, 2014 the net asset value of your investment in the PRIT Fund was:

\$25,293,748,002.75

PRIT Fund Core Asset Allocation

As of June 30, 2014



If you have any questions regarding your statement, please contact your Senior Client Services Officer Paul Todisco (617) 946-8423.
A detailed statement of your account is attached to this summary sheet.

Appendix C

Supplementary Schedules

Members' Balances in the Annuity Savings Account

For the fiscal year ending June 30, 2014

Previous Balance	\$	5,933,509,751
Total Additions Current Year		700,841,328
Total Interest Current Year		5,475,985
Reductions		(47,164,147)
Transfer to Annuity Reserves		(410,054,877)
Transfer from Pension Reserve Fund		0
Transfer to Pension Reserve Fund		(46,314,151)
Balance Current Year	\$	6,136,293,889

Appendix C

Supplementary Schedules

Schedule 1: Cash Account Activity During the Year

For the fiscal year ending June 30, 2014

Type of Account, Account Number, Interest Rate	Book value at the End of the Previous Year	Total Deposits this Year	Income Reinvested/ Redeposited into Account	Withdrawals During the Year	Total Book Value 6/30 this Year	Cash Income Paid to System Not Reinvested or Redeposited	Interest due and accrued 6/30
Bank of America 005102-3319	\$ 0	\$ 27,588,971	\$ 0	\$ 27,588,971	\$ 0	\$ 0	\$ 0
Mellon 007-6347	37,794	714,027,726	0	705,022,544	9,042,976	0	0
Santander Bank 88884804	0	165,000		165,000	0	0	0
Santander Bank 88882154	386,626	661,573		525,825	522,374	0	0
Bank Cash	\$ 424,420	\$ 742,443,270	\$ 0	\$ 733,302,340	\$ 9,565,350	\$ 0	\$ 0
Cash Available on MMARS	114,177,409	2,703,329,646		2,700,691,773	116,815,282		
Total Cash	\$114,601,829	3,445,772,916		3,433,994,113	126,380,632		
PRIT Cash Fund	\$ 35,510,605	\$1,631,214,065	\$ 0	\$ 1,635,757,786	\$30,966,884	\$ 0	\$ 0

Appendix C

Supplementary Schedules

Schedule 5: Schedule of PRIT Funds

For the year ending June 30, 2014

	PERAC Ledger Number 1199 PRIT Capital Fund
Market Value, End of Previous Year	\$ 22,444,808,144
Total Purchases this Year at Cost/Member Deductions	—
Reinvested Investment Income	718,402,086
Realized Gains	1,234,415,865
Realized Losses	—
Unrealized Gains	2,937,694,770
Unrealized Losses	(987,919,980)
Total Sales/Redemptions this Year: Amount Received	—
Cash Dividends Distributions to System this Year	(921,488,061)
Fees Paid	(132,164,821)
Market Value at the End of this Year	25,293,748,003

Appendix C

Supplementary Schedules

Schedule 6: Summary of Investments Owned

For the year ending June 30, 2014

	PERAC Ledger Number			
	1040 Cash	1198 PRIT Cash	1199 PRIT Fund	Total
Current Market Value	\$ 126,380,632	\$ 30,966,884	\$ 25,293,748,003	\$ 25,451,095,519
Commissions Paid During Current Year	0	0	132,164,821	\$ 132,164,821
Investment Income Received During Year	\$ 94,070	79,010	3,902,592,743	\$ 3,902,765,823

Appendix D

Prior Years' Statements of Funds Flow

For the year ended June 30, 2013

	2012 Balance	Receipts	Inter-Fund Transfers	Disbursements	2013 Balance
Annuity Savings Fund	\$ 5,530,495,990	\$ 688,452,898	\$ (244,829,614)	\$ 40,609,523	\$ 5,933,509,751
Annuity Reserve Fund	2,617,499,108	76,982,684	245,008,326	434,152,064	2,505,338,054
Pension Fund	0	1,128,767,275	915,164,840	2,043,932,115	0
Military Service Fund	384,296	13,593	(178,712)	0	219,177
Expense Fund	0	157,726,587	0	157,726,587	0
Pension Reserve Fund	12,832,174,376	2,342,200,778	(915,164,840)	0	14,259,210,314
Total All Funds	\$ 20,980,533,770	\$ 4,394,143,815	\$ 0	\$ 2,676,420,289	\$ 22,698,277,296

INTER-FUND TRANSFERS

Transfer from...	Annuity Savings Fund	Annuity Reserve	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total
Annuity Savings Fund to Annuity Reserve Fund	\$(244,829,614)	\$ 244,829,614	0	0	0	0	0
Military Service Fund to Annuity Reserve Fund	\$ 0	178,712	0	(178,712)	0	0	0
Pension Reserve Fund to Pension Fund for Pension Benefits	\$ 0	0	\$ 915,164,840	0	0	\$ (915,164,840)	0
	\$(244,829,614)	\$ 245,008,326	\$ 915,164,840	(178,712)	0	\$ (915,164,840)	0

Appendix D

Prior Years' Statements of Funds Flow (continued)

For the year ended December 31, 2012

	2011 Balance	Receipts	Inter-Fund Transfers	Disbursements	2012 Balance
Annuity Savings Fund	\$ 5,385,102,928	\$ 647,620,873	\$ (377,651,954)	\$ 34,331,858	\$ 5,620,739,989
Annuity Reserve Fund	2,591,961,810	76,493,625	377,830,666	423,132,563	2,623,153,538
Pension Fund	0	1,104,380,186	892,336,821	1,996,717,007	0
Military Service Fund	366,792	26,629	(178,712)	0	214,709
Expense Fund	0	178,009,752	0	178,009,752	0
Pension Reserve Fund	12,232,566,628	2,502,286,506	(892,336,821)	0	13,842,516,313
Total All Funds	\$ 20,209,998,158	\$ 4,508,817,571	—	\$ 2,632,191,180	\$ 22,086,624,549

INTER-FUND TRANSFERS

Transfer from...	Annuity Savings Fund	Annuity Reserve	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total
Annuity Savings Fund to Annuity Reserve Fund for 2012 Retirements	\$ (377,651,954)	\$ 377,651,954	0	0	0	0	0
Military Service Fund to Annuity Reserve Fund for 2012 Retirements	\$ 0	\$ 178,712	0	(178,712)	0	0	0
Pension Reserve Fund to Pension Fund for Pension Benefits	0	0	\$ 892,336,821	0	0	\$ (892,336,821)	0
	\$ (377,651,954)	\$ 377,830,666	\$ 892,336,821	(178,712)	0	\$ (892,336,821)	0

Appendix E

Actuarial Valuation and Assumptions

The most recent actuarial valuation of the System was prepared by PERAC as of January 1, 2014.

The Normal Cost for Employees on that Date was	\$	591,582	9.92% of payroll
The Normal Cost for the Employer was		126,734	2.13% of payroll
The Actuarial Liability for Active Members was	\$	16,773,481	
The Actuarial Liability for Retired Members was		23,968,214	
Total Actuarial Accrued Liability		40,741,695	
System Assets as of that Date		22,940,196	
Unfunded Actuarial Accrued Liability		17,801,499	

The principal actuarial assumptions used in the valuation are as follows:

Investment Return	8.00% per annum
Rate of Salary Increase	4.0 – 7.5% based on years of service

Scheduling of Funding Progress

(Dollars in thousands)

Actuarial Valuation Date	January 1, 2014
Actuarial Value of Assets (a)	\$ 22,940,196
Actuarial Accrued Liability (AAL) (b)	40,741,695
Unfunded AAL (UAAL) (b-a)	17,801,499
Funded Ratio (a/b)	56.3%
Covered Payroll (c)	5,962,650
UAAL as a % of Covered Payroll ((b-a)/c)	298.55%